

Message Text

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ACTION EUR-25

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COME-00 EB-11 FRB-02 INR-10 IO-14 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

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TO SECSTATE WASHDC 1197

INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 1 OF 3 OECD PARIS 30083

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: OECD OIL COMMITTEE AND HIGH LEVEL GROUP: INDIVIDUAL
COUNTRY STATEMENTS ON DOMESTIC OIL SUPPLY SITUATION.

1. SUMMARY: ROUNDTABLE DISCUSSION OF DOMESTIC SUPPLY
SITUATION AT OIL COMMITTEE AND HIGH LEVEL GROUP INDICATED
SHORTFALLS IN CRUDE SUPPLY FOR PERIOD DECEMBER 1973 - MARCH
1974 LIKELY TO BE IN 20 - 25 PERCENT RANGE FOR MOST OECD
COUNTRIES. CONSIDERABLE VARIATION AMONG DIFFERENT PETROLEUM
PRODUCT CATEGORIES EXPECTED. POLITICAL CONSIDERATIONS MAY HAVE
INFLUENCED CERTAIN COUNTRIES TO EITHER EXAGGERATE OR UNDERPLAY
EXPECTED SHORTFALLS (US: 11 - 17 PERCENT; FRANCE: 10 PERCENT;
JAPAN: 20 - 30 PERCENT; GERMANY: 15 - 20 PERCENT; UK:
10 - 15 PERCENT; NETHERLANDS: 20 - 40 PERCENT; ITALY: 20 - 25
PERCENT; CANADA: WP - 22 PERCENT OF IMPORTS; NORWAY: 20
PERCENT; SWITZERLAND: 20 - 25 PERCENT; BELGIUM: 15 - 20 PERCENT).
US STATEMENT AT HLG THAT IT HAS NOT REQUESTED DIVERSION OF OIL
TO US AND HOPED OTHER CONSUMER COUNTRIES WOULD AVOID TEMPTATION
TO TAKE UNILATERAL ACTIONS LIMITING FLEXIBILITY OF OIL COMPANIES
TO UNDERTAKE FAIR SHARING OF REDUCED SUPPLIES WAS "NOTED" BY
FRENCH AND WELCOMED BY CANADIAN AND PARTICULARLY DUTCH DELEGATIONS.
END SUMMARY.

2. AT NOVEMBER 19-20 MEETINGS OF HIGH LEVEL GROUP AND OIL
COMMITTEE, OECD COUNTRIES DESCRIBED AT SOME LENGTH THEIR OWN
OIL SUPPLY SITUATIONS WITH SPECIAL EMPHASIS GIVEN ANTICIPATED
SHORTFALLS IN CRUDE SUPPLY FOR PERIOD DECEMBER 1973 - MARCH
1974 AND CONSERVATION MEASURES ALREADY TAKEN OR PLANNED ON
MANDATORY OR VOLUNTARY BASIS.

3. RESUME OF INDIVIDUAL COUNTRY STATEMENTS IS AS FOLLOWS:
US - SUPPLY SHORTFALL OF 2 MBD RISING TOWARD 3 MBD FOR FIRST
QUARTER 1974, OR 11 TO 17 PERCENT OF EXPECTED WINTER SEASON
REQUIREMENT IN FORESEEN. DIFFERENCES IN ANTICIPATED PRODUCT
DEMAND NOTED WITH 20 PERCENT SHORTAGE IN MIDDLE DISTILLATES AND
RESIDUAL FUELS NATIONALLY AND EVEN HIGHER PERCENTAGE SHORTFALL
ON EAST COAST. MANDATORY ALLOCATION SYSTEM MAY BE EXTENDED
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TO COVER WIDER RANGE OF PETROLEUM PRODUCTS. CONSERVATION MEASURES
ADOPTED OR UNDER CONSIDERATION BY FEDERAL GOVERNMENT OR STATES
INCLUDE 5 TO 7 DEGREE REDUCTION IN HOME AND OFFICE HEATING
TEMPERATURES, REDUCTION OF SPEED LIMIT TO 50 MPH, YEAR ROUND
DAYLIGHT SAVINGS TIME, RELAXATION OF ANTI-POLLUTION STANDARDS,
REDUCTION IN NUMBER OF AIRLINE FLIGHTS AND AIRCRAFT SPEEDS,
ENCOURAGEMENT OF USE OF COAL INSTEAD OF OIL BY UTILITIES AND
INDUSTRIES, AND POSSIBLY RATIONING OR INCREASED TAXATION.

FRANCE - ESTIMATED CUT IN SUPPLIES IS ABOUT 10 PERCENT AS COMPARED WITH ORIGINAL WINTER SUPPLY PLAN. PRESENT STOCKS ALLOW POSTPONMENT OF GOVERNMENT ACTIONS SINCE STOCKS BUILT UP BY PRIVATE CONSUMERS IN ANTICIPATION OF SHORTAGE. RATIONING COULD BE INTRODUCED IF NEEDED. HEATING OIL, WHICH ACCOUNTS FOR 40 PERCENT OF MARKET, HAS BEEN AFFECTED BY 25 PERCENT PRICE RISE AND FEARS OF SHORTAGE HICH HAS DISTURBED NORMAL SUPPLY PATTERN. NO GOVERNMENT ACTION PLANNED TO REDUCE GASOLINE USE SINCE THIS ACCOUNTS FOR ONLY 15 PERCENT OF TOTAL OIL SUPPLY.

JAPAN - 40 PERCENT OF SUPPLIES COME FROM ARAB PRODUCERS, BUT MAJOR COMPANIES, WHICH SUPPLY 70 PERENT OF TOTAL NEEDS, HAVE GIVEN NOTICE THAT CUTS WILL BE IN 20-30 PERCENT RANGE. EFFECTS WILL BE FELT INCREASINGLY IN LATE NOVEMBER OR EARLY DECEMBER. IMPACT ON ECONOMY WILL BE GREATER THAN ON OTHERS SINCE JAPAN DEPENDS ON OIL FOR 70 PERCENT OF ENRGY NEEDS. COMPARATIVELY LITTLE CONSUMPTION IS FOR MOTORING OR HEATING SECTORS. IF SCHEDULED OAPC CUTS CARRIED THROUGH, ANTICIPATE 9 PERCENT DOWN TURN IN ECONOMY AND ZERO GROWTH RATE LIKELY. ON NOVEMBER 16 DECISION WAS MADE TO INSTITUTE NATIONAL CONSERVATION CAMPAIGNINCLUD- ING MANDATORY 10 PERCENT CUT IN ENERGY USE BY MAJOR INDUSTRIES TO BEGIN ON DECEMBER 10, REDUCTION IN USE BY GOVERNMENT, 20 DEGREE CENTIGRADE (68DEGREE F) SPACE HEATING LIMIT, RESTRICTION OF PLEASURE MOTORING; 10 PERCENT REDUCTION IN IN- DUSTRIAL USE, TO BE ACCOMPLISHED BY DECEMBER 31, SEEN AS FIRST STEP. BILL WILL BE SUBMITTED TO DIET ON DECEMBER 1 WHICH WOULD ENABLE GOVERNMENT TO ALLOCATE AND RATION. ALSO INDIRECT MEASURES TO PREVENT SPECULATION AND HOARDING WILL BE INTRODUCED.

GERMANY, FRG IS IN SAME SITUATION AS JAPAN; IT IS DIFFICULT TO GET A CLEAR PICTURE, MUST RELY ON MAJOR COMPANIES.

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A 15 - 20 PERCENT REDUCTION, MORE TOWARD 20 PERCENT, IN SUPPLY
WILL RESULT BEGINNING DECEMBER FOR MOST COMPANIES (DEPENDENT
ON FLOW OF CRUDE, DEPENDENCE ON ROTTERDAM). GOVERNMENT ACTIONS
ALREADY APPROVED INCLUDE BAN ON SUNDAY DRIVING FOR NEXT 4 WEEKS
AND REDUCTION IN SPEED LIMITS. FRG EXPECTS
IT SHOULD BE ABLE TO COPE WITH GASOLINE PROBLEM. SITUATION
MUCH MORE DIFFICULT FOR LIGHT FUEL AND DIESEL OIL SINCE
GERMANY RELIES ON PRODUCT IMPORTS, MOSTLY FROM ROTTERDAM.
AS A FIRST STEP, COMPANIES INSTITUTED 10 -15 PERCENT CUT.
HEAVY FUEL OIL NOT AS TIGHT AS MIDDLE DISTILLATES BUT FRG WILL
TALK TO INDUSTRY ABOUT POSSIBLE REDUCTIONS.

ITALY - CRUDE SUPPLY SITUATION EXTREMELY TRICKY; IT HAS IMPROVED
BECAUSE EAST MEDITERRANEAN PIPELINE REPAIRED BUT NOT BACK TO

NORMAL. BASED ON CONTACTS WITH COMPANIES, ESTIMATED LAST QUARTER 1973

LOSS WILL BE 20 - 25 PERCENT. REDUCTIONS ADVOCATED BY MAJOR COMPANIES IN 20 - 55 PERCENT RANGE (55 PERCENT FIGURE WAS INFORMAL SUGGESTION, NOT OFFICIAL RECOMMENDATION). 20 PERCENT CUT FOR LAST QUARTER 1973 WOULD IMPLY 30 PERCENT CUT FOR DECEMBER. NUMBER OF REFINERIES HAVE HAD SUPPLIES CUT, INCLUDING ONE RECEIVING CRUDE FROM USSR. HEATING OIL SUPPLIES FOR DECEMBER WILL BE 30 PERCENT SHORT FOR DOMESTIC MARKET AT MINIMUM. AIRCRAFT SPEEDS HAVE BEEN REDUCED, OTHER CONSERVATION MEASURES WILL BE ANNOUNCED THIS WEEK.

CANADA - PICTURE CLOUDED BY UNCERTAINTY OVER ARAB PRODUCER INTENTIONS CONCERNING CUTBACKS AND EMBARGO AS WELL AS PROBLEM OF SUPPLIES COMING FROM INTERNATIONAL OIL COMPANIES. GOVERNMENT DOES NOT WANT TO CAUSE PUBLIC ALARM, BUT ALSO DOES NOT WANT TO FOSTER INDIFFERENCE. ANTICIPATED REDUCTION IN CRUDE IMPORTS (NOT CONSUMPTION) FOR DECEMBER - APRIL 1974 OF ABOUT 20 - 22 PERCENT. NOT COMPARATIVELY LARGE BUT SERIOUS ON REGIONAL BASIS FOR EASTERN CANADA. WESTERN CANADIAN CRUDE CAN BE MOVED VIA ST. LAWRENCE SEAWAY ONLY UNTIL MID-DECEMBER WHEN SEASON CLOSES. LOSS OF MIDDLE DISTILLATE OUTPUT FROM REFINERIES LIKELY TO BE 20 PERCENT FOR FIRST QUARTER 1974. MINIMIZING THESE RUNS WILL MAKE 1974 GASOLINE SHORTFALL AS SERIOUS AS HEATING OIL LOSS. INTERRUPTION SMALL
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THUS FAR; SINCE MID-OCTOBER ONLY 3.5 PERCENT CUT IN REFINERY RUNS. ON DEMAND SIDE, GOVERNMENT CONSIDERING MANDATORY ALLOCATION SYSTEM. IN ADDITION TO VOLUNTARY CONSERVATION PROGRAM, AD STATEMENT LIKELY THIS WEEK.

NORWAY - STOCKS ARE NORMAL BUT BY DECEMBER IMPORTS WILL BE DOWN AT LEAST 20 PERCENT. VOLUNTARY 10 PERCENT CONSERVATION PROGRAM HAS NOT BEEN SUCCESSFUL. GOVERNMENT THINKING OF RELAXING ANTI-POLLUTION STANDARDS AND FULL RATIONING READY TO BE INTRODUCED PROMPTLY.

U - (INITIAL PRESENTATION TO HIGH LEVEL GROUP SUPPLEMENTED AT OIL COMMITTEE ON BASIS OF HMG ANNOUNCEMENT NOVEMBER 19) BEST ESTIMATES ARE DECEMBER LANDINGS OF CRUDE WILL BE 10 - 15 PERCENT LOWER THAN EXPECTED DEMAND. WITH 40 PERCENT OF OIL GOING TO INDUSTRY, UK SITUATION MORE LIKE JAPAN THAN FRANCE. OIL INDUSTRY EMERGENCY COMMITTEE IS IN OPERATION AND EXPORT CONTROLS IN EFFECT WITH NO RESTRICTION ON MOVEMENTS WITHIN EUROPEAN COMMUNITY IN ACCORDANCE WITH ROME TREATY; ATTEMPT IS BEING MADE TO MAINTAIN EXPORTS TO NON-EC COUNTRIES TO EXTENT OF 80 PERCENT OF TRADITIONAL LEVELS. STOCKS TOTAL ABOUT 70 DAYS BUT INSUFFICIENT IF SHORTFALL CONTINUES. LEGISLATION WILL BE INTRODUCED NOVEMBER 20 SEEKING ACROSS-THE-BOARD 10 PERCENT CUT, WITH PRIORITY EXEMPTIONS, BASED ON CORRESPONDING MONTH IN

1972. BASED ON SEPTEMBER 1973 DELIVERIES, CUT FOR OIL PRODUCTS EQUALS

12 PERCENT, FOR GASOLINE EQUALS 14 PERCENT. THIS RELATES TO
FORECASTED 7-8 PERCENT DROP IN LANDINGS END NOVEMBER AND 15
PERCENT DROP IN DECEMBER. CONTROLS IMPOSED AS CONSEQUENCE OF
UNCERTAINTY OF INTENTIONS OF ARAB PRODUCERS AND OVERTIME
BANS OF COAL MINERS AND ELECTRIC POWERS WORKERS WHICH HAVE AFFECTED
OTHER ENERGY SOURCES. PUBLIC TRANSPORT WILL BE EXEMPT. NO
MANDATORY BAN ON SUNDAY MOTORING IMPOSE BECAUSE OF ADMINISTRA-
TIVE BURDEN OF IMPLEMENTATION, BUT REQUESTS MADE FOR VOLUNTARY
ABSTENTIONS AS WELL AS VOLUNTARY COMPLIANCE WITH 50 MPH SPEED
LIMIT. HMG ESTABLISHING IN CONSULTATION WITH OIL COMPANIES
PRIORITY INDUSTRY USES, NAMELY, AGRICULTURE; FOODSTUFFS;
ENERGY; IRON AND STEEL, AND NON-FERROUS METALS; PETRO-CHEMICALS
MEDICINES; BUNKERING AND FISHING FLEETS; AIRPORT OPERATION;
PUBLIC COMMUNICATIONS; PUBLIC HEALTH AND SAFETY.

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NETHERLANDS - LANDINGS IN ROTTERDAM HAVE BEEN NORMAL BUT WITHIN FEW DAYS WILL BE REDUCED CONSIDERABLY. REFINERIES HAVE ANNOUNCED REDUCTIONS OF 20 TO 40 PERCENT WITH VARYING EFFECTS ON DUTCH AND EXPORT MARKETS. OVERALL GASOLINE CONSERVATION ON ORDER OF 15 PERCENT ACHIEVED THUS FAR; PROVISIONAL FIGURES SHOW 10 PERCENT SAVED BY BAN ON SUNDAY MOTORING AND 5 PERCENT SAVED BY VOLUNTARY ADHERENCE TO 70 KILOMETER PER HOUR SPEED LIMIT. COMPANIES AND GOVERNMENTS HAVE AGREED ON OVERALL 10 PERCENT CUT (PRIORITY EXEMPTION FOR SOME, 15 PERCENT CUT FOR OTHERS) AND COMPANIES ADVISED FEW DAYS AGO CUTS SHOULD BE INCREASED TO 15 PERCENT OVERALL. GOVERNMENT IS PREPARING RATIONING MEASURES ON CONTINGENCY BASIS. CUTBACKS ALREADY INSTITUTED IN CHEMICAL INDUSTRY WITH TEXTILES AND OTHERS EXPECTED SOON.

SWITZERLAND - SHORTFALL OF 20 - 25 PERCENT IS EXPECTED BY DECEMBER. CUTS OF 25 - 30 PERCENT FOR MOGAS, 10 -15 PERCENT FOR FUEL OIL AND 5 - 10 PERCENT FOR DIESEL ARE ANTICIPATED. SPEED LIMIT HAS BEEN REDUCED TO 100 KILOMETERS PER HOUR; GASOLINE HEARDING PROHIBITED; MEASURES PREPARED FOR INSTITUTION PARTIAL RATIONING FOR GASOLINE AND HEATING FUEL; CARLESS SUNDAYS ALSO CONSIDERED.

SWEDEN - GOVERNMENT WAS TO ANNOUNCE NOVEMBER 20 CONSERVATION CAMPAIGN TO SAVE 15 PERCENT BY JANUARY 31; SPACE HEATING LIMITS OF 21 DEGREES C. FOR DAYTIME, 18 DEGREES C. FOR NIGHT. EXPORT LICENSING TO BE INTRODUCED ACCORDING TO NORMAL SUPPLY PATTERNS.

PORTUGAL - SALES ARE PROHIBITED ON SUNDAY AND SUNDAYS. BASIC INDUSTRIES ARE RECEIVING NORMAL DELIVERIES AS YET;

OTHERS CUT 10 PERCENT. STOCKS REPORTED ONE A WEEK.

NEW ZEALAND- SHORTFALL IS ANTICIPATED BUT EXTENT UNKNOWN AS YET.

TURKEY - 65 PERCENT OF ENERGY SUPPLIES COME FROM CRUDE, AND 70 PERCENT OF CRUDE COMES FROM MIDDLE EAST. PRICE INCREASES OF FROM 17 TO 50 PERCENT FOR PRODUCTS PROBABLY WILL BE ANNOUNCED
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IN NEAR FUTURE.

IRELAND - VOLUNTARY CONSERVATION PROGRAM HAS NOT BEEN AT ALL SUCCESSFUL. LAST WEEK GOVERNMENT ORDERED 10 PERCENT CUT ON HEATING OIL, 5 PERCENT ON GASOLINE FOR BALANCE OF LAST QUARTER 1973. RATIONING PLAN IS READY TO GO IF NEEDED.

GREECE - PRICE INCREASES, 80 KILOMETER PER HOUR SPEED LIMIT, 10 PERCENT HME HEATING OIL CUT AND PROPANE RATIONING FROM JANUARY 1, 1974 ARE MAIN MEASURES TAKEN.

FINLAND - EXPORT LICENSING WAS INTRODUCED LAST WEEK. ENERGY CONSERVATION CAMPAIGN, INCLUDING CAR SPEED LIMITS, ALSO UNDERTAKEN.

SPAIN - NORMAL DELIVERIES MAINTAINED ACCORDING TO TRADITIONAL SUPPLY PATTERNS UNTIL NOW. AVERAGE PRICES HAVE BEEN INCREASED 20 PERCENT. RATIONING SCHEME COULD BE IMPOSED QUICKLY.

DENMARK - SPEED LIMITS OF 80 KPH AND BANS ON SUNDAY DRIVING, OUTDOOR ILLUMINATION AND JERRYCAN HOARDING IMPOSED. GAS OIL AND FUEL OIL SUPPLIES CUT BY 25 PERCENT.

BELGIUM - SHORTFALL OF 15 - 20 PERCENT ANTICIPATED BY END OF NOVEMBER OR EARLY DECEMBER ACCORDING TO COMPANIES. IN ADDITION TO PRICE INCREASES, BAN ON SUNDAY DRIVING, LOWER SPEED LIMITS AND REDUCTION OF SCHOOL WEEK FROM 5 1/2 TO 5 DAYS INTRODUCED.

AUSTRIA - RATIONING SYSTEM IS BEING PREPARED.

4. US STATEMENT AT HLG THAT IT HAS NOT REQUESTED US COMPANIES TO DIVERT OIL TO UNITED STATES AND WOULD HOPE OTHER CONSUMER COUNTRIES WOULD AVOID TEMPTATION TO TAKE INDIVIDUAL ACTIONS WHICH WOULD LIMIT FLEXIBILITY OF OIL COMPANIES TO SPREAD BURDEN OF REDUCED SUPPLIES AS FAIRLY AND EQUITABLY AS POSSIBLE WAS WELCOMED BY NUMBER OF OTHER DELEGATIONS. FRENCH DELEGATION TOOK NOTE OF US STATEMENT SAYING GOF HAD NO PROBLEM WITH OBTAINING INFORMATION REQUIRED DIRECTLY FROM COMPANIES WHICH HAS GIVEN IT GOOD BASIS FOR PROCEEDING. CANADAN DELEGATION SUPPORTED

US STATEMENT BUT ADDED COMPANIES MUST BE SEEN PUBLICLY TO BE
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TAKING FAIR SHARE APPROACH. NETHERLANDS DELEGATION STRONGLY
US VIEW, EMPHASIZING INTERNATIONAL COMPANIES SHOULD BE LEFT
AS FREE AS POSSIBLE TO ACCOMPLISH SHARING. DUTH OBSERVED
THAT THERE WOULD BE NEGATIVE EFFECTS IF NATIONS INTERFERED;
THEY NOTED PUBLIC OPINION IN MANY PLACES WAS PRESSING FOR NATIONALIS-
TIC POSTURE AND GOVERNMENTS SHOULD BE CAREFUL NOT TO ACCEDE
TO THESE APPEALS.
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